

Message Text

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ACTION NEA-09

INFO OCT-01 EUR-12 ISO-00 SS-15 L-02 NSC-05 AID-05 CEA-01

CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00 RSC-01

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OMB-01 PA-01 PRS-01 USIA-06 AGR-05 H-01 /093 W

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R 031023Z FEB 75

FM AEMBASSY TEL AVIV

TO SECSTATE WASHDC 5474

INFO USMISSION EC BRUSSELS

AMEMBASSY AMMAN

AMEMBASSY BERIUT

AMEMBASSY CAIRO

AMEMBASSY ALGIERS

AMEMBASSY DAMASCUS

AMEMBASSY AMADRID

AMEMBASSY RABAT

AMEMBASSY TUNIS

AMCONSUL JERUSALEM

C O N F I D E N T I A L TEL AVIV 0740

E.O.11652: GDS

TAGS: ETRD, IS

SUBJECT: ISRAEL'S FREEE TRADE AGREEMENT WITH EUROPEAN
COMMUNITIES

REF: TEL AVIV 4170 AND 7059, EC BRUSSELS 9967,

8467 AND 178

1. WE HAVE BEEN GIVEN ONCONFIDENTIAL BASIS GOI IN-HOUSE
MEMORANDUM DESCRIBING EC/ISRAEL AGREEMENT INTIALLED
JAN 23, 1975, ISRAELIS HOPE THAT AGREEMENT,WHICH WILL
EVENTUALLY CREATE AN INDUSTRIAL FREE-TRADE AREA BETWEEN
ISRAEL AND THE EC NINE, CAN BE SIGNED AND RATIFIED SOMETIME
THIS SUMMER, AT LEAST BEFORE PRESENT AGREEMENT WITH EC
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EXPIRES ON SEPT 30.

2. OBVIOUSLY, HOWEVER, TIMING OF FURTHER STEPS WILL DEPEND AT LEAST IN PART ON PROGRESS IN EC'S NEGOTIATIONS WITH MAGHREB STATES, SPAIN AND ALSO NEIGHBORING STATES OF EGYPT, JORDAN, SYRIA AND LEBANON. ISRAEL HOPES THAT EC COUNCIL OF MINISTERS WILL SHORTLY APPROVE MANDATE TO NEGOTIATE AN ADDITIONAL FINANCIAL PROTOCOL GIVING ISRAEL ACCESS TO EC FINANCIAL INSTITUTIONS. ISRAEL'S NEIGHBORS WOULD PRESUMABLY ALSO BE GIVEN SUCH ACCESS.

3. IN RESPONSE TO OUR QUERY, GOI OFFICIAL SAID AGREEMENT JUST INITIALLY PROVIDED FOR REDUCTIONS IN ISRAELI TARIFFS OF FROM 15 TO 20 PERCENT ON NINE ITEMS IN AGRICULTURAL SECTOR. WE ARE ALSO TOLD THAT TARIFF CUTTING WITH RESPECT TO "60 PERCENT LIST" OF LOW OR ZERO DUTY INDUSTRIAL GOODS WILL BEGIN WITH 30 PERCENT REDUCTION EFFECTIVE WITH ENTRY INTO FORCE OF AGREEMENT AND CONTINUE UNTIL ALL TARIFFS ARE ELIMINATED ON JAN 1, 1980. TARIFF ELIMINATION ON REMAINING 40 PERCENT OF INDUSTRIAL IMPORTS (THOSE OF INTEREST TO U.S.) WOULD BEGIN ON JULY 1, 1977 AND END ON JAN 1, 1989.

4. FOLLOWING, IN FREE TRANSLATION FROM HEBREW, IS KEY PORTION OF GOI MEMORANDUM. FULL TEXT WILL BE POUCED TO DEPT AND USEC.

"CONTENTS OF AGREEMENT

INDUSTRY- NEW AGREEMENT WILL BRING ABOUT CREATION OF A FREE-TRADE AREA BETWEEN ISRAEL AND NINE EEC COUNTRIES FOR INDUSTRIAL PRODUCTS. PACE OF TARIFF CUTS VARIES AS FOLLOWS: IN EEC, TARIFFS ON ISRAELI EXPORTS WILL BE REDUCED TO ZERO OVER TWO AND ONE-HALF YEARS, BY JULY 1, 1977. ISRAEL, ON OTHER HAND, WILL ENJOY LONGER INTERIM PERIOD RANGING UP TO 1980 ON RAW MATERIALS AND NON- COMPETITIVE PRODUCTS (60 PERCENT LIST), OF WHICH MOST ARE ALREADY DUTY-FREE.

AS TO ARTICLES WHICH MOST ARE ALREADY DUTY-FREE.

AS TO ARTICLES WHICH ARE MORE SENSITIVE TO US, ISRAEL WILL BEGIN LOWERING TARIFFS ONLY AS OF JULY 1, 1977, AND CUTS WILL BE IMPLEMENTED OVER ELEVEN AND A HALF YEARS UP TO 1989. THIS SLOW PACE WILL BE ACHIEVED THROUGH TWO TWO-YEAR EXTENSIONS, ONE IN 1978 AND OTHER IN 1982.

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WE GAVE SPECIAL ATTENTION TO PROBLEM OF INFANT INDUSTRIES FOR WHICH POSSIBILITY WAS ATTAINED TO REIMPOSE TARIFFS TO LEVEL OF 20 PERCENT ON VOLUME OF 10 PERCENT OF OUR IMPORTS UP TO JAN 1, 1984. NONETHELESS, WE SHALL HAVE TO CANCEL CUSTOMS DUTIES BY 1989. THIS PROVISION IS IMPORTANT MAINLY FOR ATTRACTING FOREIGN INVESTORS, WHO WILL ENJOY PROTECTION IN ISRAELI MARKET WHILE BEING ABLE TO PLAN PRODUCTION SUITABLE FOR EC MARKET WHICH WILL BE OPEN TO THEM.

AGRICULTURE- IN AGRICULTURE AGREEMENT PROVIDES FOR 60 PERCENT TARIFF REDUCTION (AS AGAINST 40 PERCENT TODAY) ON ORANGES EXPORTED TO SIX ORIGINAL EEC COUNTRIES, AND 80 PERCENT REDUCTION IN THREE COUNTRIES WHICH JOINED EC AT LATER STAGE (UK, DENMARK, IRELAND). AS OF 1977/78 SEASON, 80 PERCENT REDUCTION WILL APPLY TO ALL EC COUNTRIES. TARIFF REDUCTION OF 70 PERCENT WAS ALSO EXTENDED TO CITRUS JUICES AND TO OTHER PROCESSED AGRICULTURAL PRODUCTS. THESE REDUCTIONS WILL GO INTO EFFECT AS SOON AS AGREEMENT BECOMES EFFECTIVE.

COOPERATIVE ARRANGEMENTS- AGREEMENT CONTAINS COOPERATION SECTION WHICH DEALS WITH PROMOTION OF INVESTMENT, TRANSFER OF TECHNOLOGICAL INFORMATION, INDUSTRIAL COOPERATION, ETC. A COMMUNIQUE IS ATTACHED TO AGREEMENT UNDER WHICH WE CAN, EVEN AFTER SIGNING OF AGREEMENT, RAISE A LATER STAGE POSSIBILITY TO EXPANDED COOPERATION AND A FINANCIAL PROTOCOL. IT WAS OUR INTENTION TO PRESERVE ACHIEVEMENT OF PRESENT AGREEMENT WITHOUT BLOCKING WAY FOR ITS EXPANSION AT NEXT STAGE.

ASSURANCE OF EQUAL TREATMENT- OUR CONCERN TO PREVENT DISCRIMINATION AGAINST ISRAEL COMPARED TO TREATMENT AFFORDED SPAIN AND OUR NEIGHBORS, IF AND WHEN THEY CONCLUDE A NEW AGREEMENT WITH EEC, WAS EXPRESSED IN DECLARATION ATTACHED TO AGREEMENT UNDER WHICH ISRAEL PRESERVES RIGHT TO REEXAMINE AGREEMENT SHOULD THE BALANCE BE UNDERMINED. SAME APPLIES TO QUESTION OF COOPERATION AND ACCESS TO EC FINANCIAL INSTITUTIONS SHOULD NEIGHBORING COUNTRIES (EGYPT, SYRIA, JORDAN AND LEBANON) ATTAIN THAT."

VELIOTES

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